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SIPDIS

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SUBJECT: Readout on FM Gul's Visit to Bulgaria: Energy Trade and Investment Key Issues

Ref: (A) Sofia 867 (B) Ankara 3190

11. (SBU) Summary: MFA characterized FM Gul's recent visit to Bulgaria as a success. Turkish investment in Bulgaria and trade in energy were key subjects of discussion during the Gul visit. MFA told us that the agreement to buy electricity from Bulgaria may not be commercially sensible for Turkey at this point, but it would like to find an accommodation with Sofia to maintain good relations. End Summary.

12. (U) Econoff met with Mehmet Gucuk, MFA Deputy Director for Bilateral Affairs, to discuss Turkish FM Gul's May 12 and 13 visit to Bulgaria. Gucuk, who traveled in Gul's delegation, characterized the visit as successful overall. He stated that bilateral political relations were excellent, and that Turkish investment in Bulgaria buttressed that political relationship. However, Bulgarian electricity exports to Turkey and offsetting construction contracts for Turkish firms remain an issue.

13. (U) Investment: Gucuk highlighted Turkish firms' strong presence in Bulgaria, with investment of about USD 500 million. This is set to rise with a USD 200 million investment by Pasabahce, a Turkish glassware producer, and, if Koc Group/Turk Telecom win the bid for privatization of Bulgarian telecoms, a further USD 500 million investment in telecoms over the long term. Gucuk estimated that Turkish companies now account for a quarter of Bulgarian FDI.

14. (SBU) Energy: Turkey's suspension of electricity imports from Bulgaria (apparently in connection with the Koc/Turk Telecom bid - see ref A) was discussed during the visit, but without coming to closure on whether to revise or continue implementing the Turkish-Bulgarian bilateral agreement in this area. Gucuk stated that the agreement committing Turkey to import power from Bulgaria made little commercial sense (for Ankara), given a current surplus of power supplies for Turkish industry. He maintained that Turkey had nevertheless continued to take and pay for Bulgarian electricity for several years, even though the GOB had balked at giving Turkish companies contracts for highway and dam construction in Bulgaria, which Gucuk maintained was an essential element of the agreement. Gucuk said that the GOT was sensitive to the fact that it was Bulgaria's leading customer in its leading export and wanted to arrive at some accommodation with the GOB. He said Bulgaria's Energy Minister would visit Turkey later in May to discuss this subject further.
Pearson